

Examination No. 06-0288.2

Court File No. CA 04-960-SLR

(District of Delaware)

IN THE UNITED STATES DISTRICT COURT

B E T W E E N:

J-SQUARED TECHNOLOGIES, INC., a Canadian Corporation, and
J-SQUARED TECHNOLOGIES (OREGON) INC., an Oregon Corporation

PLAINTIFFS

- and -

MOTOROLA, INC. A DELAWARE CORPORATION

DEFENDANT

DEPOSITION OF STEVEN BLOMME, pursuant to an appointment
made on consent of the parties to be reported by
Cornell•Catana Reporting Services, on March 21, 2006,
commencing at the hour of 1:34 in the afternoon.

APPEARANCES:

Sean J. Bellow

for the Plaintiffs

Randy Papetti and Emily S. Cates

for the Defendant

This Examination was taken down by sound recording
by Janice West at Ottawa, Ontario, Canada.

1 first step.

2 56. Q. Where was he based?

3 A. He's in Calgary.

4 57. Q. And the idea is that you would come to --
5 correct me if I'm wrong, but the idea is that you would
6 come to J-Squared, work with J-Squared and help market
7 Motorola Products for J-Squared in Western Canada? Is
8 that correct?

9 A. Well, I think at the time they were already
10 talking about the Oregon Operation because that was
11 really a place where we were jump starting our ESG
12 business, so they would have been talking to me about
13 getting involved, not just in Western Canada, but in
14 Oregon helping mentor that group and get them started as
15 well.

16 58. Q. So you come to J-Squared as an employee
17 before there's actually an Agreement in place between
18 Motorola and J-Squared (Oregon)? Is that correct?

19 A. That's correct, yes.

20 59. Q. Did you play some role in negotiating that
21 Agreement for J-Squared (Oregon) with Motorola?

22 A. Yes, I did.

23 60. Q. Do you recall who you dealt with during the
24 negotiation process?

25 A. Yes. Primarily it would have been Dennis

1 69. Q. I'm as guilty as you. I just wanted to let
2 you know?

3 A. Okay.

4 MR. BELLEW: It's just -- you're in a rush to
5 provide, you know, responsive information. Just take a
6 slower place.

7 THE WITNESS: Okay.

8 BY MR. PAPETTI:

9 70. Q. So the Record's clear, you didn't play any
10 role in helping negotiate the J-Squared Canada contract?
11 Correct?

12 A. I did not.

13 71. Q. And the J-Squared (Oregon) contract you
14 negotiated with Motorola, did you negotiate directly with
15 Mr. Terry at all in that contract?

16 A. I did not.

17 72. Q. Did either of the people that you negotiated
18 with -- Mr. Robinson or Mr. Watts, ever provide you
19 forecasts of what Motorola expected its business to be in
20 that territory in the coming years?

21 A. Well, you're using the word "forecast", so I
22 would say, no. No.

23 73. Q. So no written Forecasts were provided to you
24 for what Motorola expected its business to be in the
25 territory in the coming year or years? Is that correct?

1 A. No forecast, no.

2 74. Q. You seem to be hedging a little bit on the
3 word "forecast". Do you want to explain what type of
4 business related information may have been provided to
5 you by Mr. Watts or Mr. Robinson?

6 A. Historical.

7 75. Q. They provided some historical looking
8 backwards information as to how Motorola had performed in
9 that territory? Is that correct?

10 A. That's correct.

11 76. Q. Was that in written form or was that just in
12 discussions?

13 A. I can't recollect. I'm not sure.

14 77. Q. Do you recall what the substance of that
15 historical information was? Numbers or ---

16 A. I think it would have taken the form more of
17 a ball park number of where that territory had been in
18 the past.

19 78. Q. Did they provide you any sort of analysis
20 orally as to what they thought the market would do in the
21 future?

22 A. I will say no.

23 79. Q. Because you can't remember them doing that is
24 what you're saying?

25 A. It's just so unusual for them to want to

1 offer up a future look.

2 80. Q. Because no-one really knows what ---

3 A. In our business, forecasting is the toughest
4 job.

5 81. Q. Was this period of time -- what were the
6 business conditions like in the territories you were
7 taking over during this period of time for MCG type
8 products?

9 A. I think probably it would have been the
10 lowest it's ever been for them.

11 82. Q. You were aware of that at the time?

12 A. Yes.

13 83. Q. You were aware that they had cut their sales
14 force way down from its high of in the fifties to
15 something about a dozen?

16 A. For sure.

17 84. Q. Do you feel that Mr. Watts or Mr. Robinson or
18 anyone else at Motorola misrepresented anything to you
19 about how the territory had done historically during the
20 time you were negotiating with them?

21 A. No, I don't.

22 85. Q. The same holds true of any discussions you
23 have with Mr. Terry? Do you feel he misrepresented
24 anything to you with how the territory had done in the
25 past?

1 what I had to do in the task of getting the territory up
2 and running, we knew, you know that training alone was
3 going to take six months -- eight months. I mean, we
4 knew we had a big task in front of us, so it just came up
5 over and over again, that you know, this was a long haul
6 type of thing.

7 98. Q. Can you recall anyone ever making a statement
8 to you to the effect of don't worry about any particular
9 language in the contract -- here's what the real deal is?

10 A. Well, I'm probably a little bit at a loss
11 there only because I'm an ex-Motorola employee so I was
12 on the other side doing the contract many times, so
13 possibly coloured by the fact that we felt the contract
14 was something that just had to be done and then it got
15 put in the drawer a lot of times.

16 So everything was done on, you know, people
17 looking each other in the eye and saying this is how
18 we're going to do things. So I don't know if I've
19 answered your question but, you know, that's the nature
20 of the way I was approaching the negotiation with both
21 Dennis and with Mark.

22 99. Q. Do you recall Motorola ever making any
23 statements to the effect that ---

24 A. No, I can't say that I saw a specific
25 statement.

1 100. Q. -- to the effect that don't worry about
2 what's in the contract, we have a separate deal?

3 A. Body language -- you know, tone -- everything
4 told me this was a long term deal. That's all -- that's
5 the only way I can answer the question for you.

6 101. Q. But as an ex-Motorolan, you know that there's
7 often times turnover in Management at Motorola, like any
8 other big company?

9 A. For sure.

10 102. Q. No matter what happens in negotiations, you
11 understood from your time at Motorola if it was going to
12 control the relationship between the parties, ultimately
13 it's the contract? Is that correct?

14 MR. BELLEW: Objection.

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15 THE WITNESS: Okay, so I would say absolutely not
16 to that question. I worked for Motorola a long time -- a
17 reputable firm. We never fell back on a contract when we
18 got into a dispute with a customer or a partner, we fell
19 back on what we thought ethically we were doing with
20 those people, so certainly, that's the way I was as a
21 Motorolan.

22 I saw many instances where Motorola Inc. - that's
23 the way they treated things, so I would say the last
24 thing in my mind would have been that, you know, somebody
25 was going to pull out a contract and look at one sentence

1 THE WITNESS: Okay.

2 BY MR. PAPETTI:

3 117. Q. Exhibit 14B and if you turn -- you can look
4 through it. You'll recognize it as the J-Squared
5 (Oregon) Contract but the last two pages is Exhibit 4 and
6 I think it's Exhibit 4 you're referencing in that last e-
7 mail we looked at?

8 A. Yes.

9 118. Q. Is that correct?

10 A. Yes, that's correct.

11 119. Q. The second page includes those metrics and
12 territory revenue that you were referring to just a
13 minute ago?

14 A. Yes.

15 120. Q. These are figures that you worked out with
16 Motorola or do you have any idea how these figures were
17 agreed to between the parties?

18 A. Which figures are we talking about?

19 121. Q. Let's do the metrics at the top -- the T-1,
20 T-2 figures, you know going forward at the top of the
21 page?

22 A. I'd say we did very little discussion about
23 these. I can't recall if I pushed back on these or not.
24 I think they -- I just can't recall if I pushed back on
25 them or not.

1 122. Q. Would it have been your practice to recommend
2 that the Agreement be signed if you thought that they
3 were unreasonable?

4 A. No, it would not.

5 123. Q. It would not have been your practice?

6 A. It would not have been my -- sorry.

7 MR. BELLEW: I'm going to put in an objection and
8 maybe we can get the question in a phrase where it's not
9 going to ---

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10 BY MR. PAPETTI:

11 124. Q. Would you have recommended to Mr. Gibson that
12 J-Squared go ahead and sign this Agreement if the
13 performance metrics in your mind were unreasonable?

14 A. I would not have recommended it.

15 125. Q. Would it be fair to say that you must have
16 thought that they were reasonable at the time?

17 A. That's correct.

18 126. Q. Even though you don't recall specifically
19 negotiating?

20 A. Yes. I would have looked at them.

21 127. Q. Do you know who, at Motorola, was primarily
22 responsible for coming up with these performance metrics?
23 Did you have an impression at the time?

24 A. My impression would have been that Dennis
25 Robinson would have input into the process but that's

1 only an impression.

2 128. Q. What was Dennis Robinson's position at the
3 time?

4 A. He was a Regional Sales Manager.

5 129. Q. Sometimes called a BDM -- is that correct?

6 A. That's correct.

7 130. Q. What does BDM stand for?

8 A. Business Development Manager.

9 131. Q. So he was already working for Motorola in
10 this territory?

11 A. That's correct.

12 132. Q. The same question with respect to the
13 territory revenue -- at the bottom, you had mentioned in
14 your last e-mail that they had snuck in a higher figure
15 than you had seen in a prior draft? Is that fair?

16 A. That's correct.

17 133. Q. Would you have recommended to Mr. Gibson to
18 sign this if you thought that was an unreasonably high
19 figure?

20 A. I would not have -- I would have -- I'm
21 having trouble with that form of question but if the
22 number was unreasonable I would have recommended we
23 didn't.

24 134. Q. Have you ever sat down and tried to figure
25 out, say after the contract got terminated, whether J-

1 reflecting the wrong situation.

2 388. Q. Well, is it fair to say that according to
3 this document the only one that meets the design win
4 requirement of the Contract for revenue baseline is the
5 Boeing AWACS Data 1? Correct?

6 MR. BELLEW: Objection.

7 THE WITNESS: Sure, yes.

8 BY MR. PAPETTI:

9 389. Q. Even on that one, it hadn't met the actual
10 purchase threshold of \$25,000 yet? Correct?

11 A. Sure. That's correct.

12 390. Q. So according to this document, when you apply
13 it to the terms of the contract in Exhibit 4, none of
14 these are design wins under the terms of the Contract?
15 Is that correct?

16 MR. BELLEW: Objection.

17 THE WITNESS: Yes.

18 BY MR. PAPETTI:

19 391. Q. That's correct?

20 A. Sure.

21 392. Q. When you were working on these -- doing all
22 this work for J-Squared (Oregon) on the Motorola Account,
23 who at Motorola were you doing sales calls with? Anyone?

24 A. We did calls -- well we did calls with Dennis
25 Robinson for sure and with Dave Hinkle, Don Dingee once.

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Examination No. 06-0288.4

C.A. No. CA 04-960-SLR

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FOR THE DISTRICT OF DELAWARE

B E T W E E N:

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PLAINTIFFS

- and -

MOTOROLA, INC. A DELAWARE CORPORATION

DEFENDANT

DEPOSITION OF JEFFREY GIBSON, pursuant to an appointment
made on consent of the parties to be reported by
Cornell•Catana Reporting Services, on March 23, 2006,
commencing at the hour of 9:14 in the forenoon.

COURT COPY

APPEARANCES:

Sean J. Bellow

for the Plaintiffs

Randy Papetti and Emily S. Cates

for the Defendant

This Examination was taken down by sound recording
by Janice West at Ottawa, Ontario, Canada.

1 their Nortel Account Manager.

2 14. Q. That was also a Sales position?

3 A. Yes.

4 15. Q. When did you leave that position?

5 A. 1988.

6 16. Q. Where did you go in 1988?

7 A. I went to a company called ElectroSource and
8 they were a Rep Company also in Canada and I worked for
9 them based in Ottawa.

10 17. Q. After you left ElectroSource where did you
11 go to work?

12 A. Well, I started J-Squared Technologies in
13 Canada in January, 1990 so I left ElectroSource to
14 incorporate J-Squared and start the company in Canada.

15 18. Q. J-Squared -- is one of the "J's" Jeff?

16 A. Yes.

17 19. Q. Right and who is the other "J"?

18 A. John.

19 20. Q. John -- and who is John?

20 A. That's my first name. Jeff's my middle
21 name.

22 21. Q. All right, so were you the sole founder of
23 J-Squared Technologies Inc.?

24 A. Yes.

25 22. Q. Are you currently the sole owner of J-

1 Squared Technologies Inc.?

2 A. J-Squared Technology in Canada is owned by a
3 Holding Company called Mazin Investments and I would own
4 51 percent of the common shares of Mazin Investments and
5 my wife, Alison Gibson, would own the other 49 percent
6 of common shares.

7 23. Q. So your family owns J-Squared Technology
8 Inc.?

9 A. Yes.

10 24. Q. What's your current job title or titles at
11 J-Squared Technology Inc. now besides owner?

12 A. CEO I guess.

13 25. Q. Does J-Squared have a Board of Directors?

14 A. Yes, it does.

15 26. Q. Do they function as a Board of Directors
16 even though it's a wholly owned Company?

17 A. It's really just more of an annual meeting
18 to look at the financial performance of the company.

19 27. Q. Okay, and who's on the Board of Directors?

20 A. There would be myself and my wife.

21 28. Q. So the Annual Meeting could be in your home
22 if you wanted it to be?

23 A. Yes.

24 29. Q. Who is the Executive Management at J-Squared
25 Technologies Inc.?

1 A. The Executive Management of the Company -- I
2 guess it depends on what you mean by Executive
3 Management.

4 30. Q. Is that a term you use?

5 A. I use it in terms of -- there are a lot of
6 responsibilities running the Company so at the very top
7 of the Company in Canada, I have myself and Mike Nykoluk
8 in a kind of an Executive Management Portfolio but the
9 company is divided in Canada into four lines of
10 business. We have a person besides Mike and myself that
11 runs those separate lines of business.

12 31. Q. Does the Company have a Chief Financial
13 Officer?

14 A. No.

15 32. Q. Who performs the functions that the Chief
16 Financial Officer typically would perform for a company
17 -- for J-Squared?

18 A. My Accountant.

19 33. Q. So you have an Accountant that works out the
20 numbers?

21 A. Yes.

22 34. Q. Who is principally responsible at the
23 company for Forecasting?

24 A. Financial Forecasting?

25 35. Q. Correct?

1 A. Financial Forecasting is more bottoms up, so
2 we get Forecasts from the individual sales people and we
3 roll it up, get the numbers from there and then we would
4 -- we would I guess scrutinize the numbers and make sure
5 that, you know, do a sort of a self-audit -- make sure
6 they make sense.

7 36. Q. You referred to "we" scrutinize the numbers
8 out of ---

9 A. I mean Mike Nykoluk and myself.

10 37. Q. What are -- I realize as the CEO of a
11 company you touch a lot of different responsibilities
12 but what are your primary job responsibilities?

13 A. My primary job responsibility is probably
14 more forward looking in terms of where we want to take
15 the company six to 24 months out.

16 38. Q. Does that include trying to identify
17 potential new product lines to represent?

18 A. It could be that. It could be also looking
19 at trying to identify additional customers we want to
20 engage with or additional market places we might want to
21 venture into -- things of that nature.

22 39. Q. You described J-Squared Technologies Inc. as
23 being owned by a Holding Company called Mazin
24 Investments? Correct?

25 A. Yes.

1 40. Q. Does J-Squared have subsidiaries?

2 A. Indirectly. J-Squared Mazin -- or Mazin
3 Investments Limited would own a company in Delaware
4 called J-Squared U.S.A. and like Mazin is the Holding
5 Company in Canada, J-Squared U.S.A. would be sort of --
6 would be like the Holding Company in the U.S. for the
7 U.S. Organizations and J-Squared U.S.A. would have an
8 equity stake in J-Squared Oregon.

9 41. Q. Does J-Squared U.S.A. wholly own J-Squared
10 Oregon?

11 A. J-Squared U.S.A. -- No, J-Squared U.S.A.
12 would own 55 percent of the common shares of J-Squared
13 Oregon.

14 42. Q. Who owns the other 45 percent?

15 A. Three individuals -- two based in the North
16 West and one based in Calgary.

17 43. Q. Who worked for J-Squared Oregon?

18 A. The two in the North West would work for J-
19 Squared Oregon and the person in Calgary would be
20 employed by J-Squared in Canada but does work for the
21 North West also.

22 44. Q. Does J-Squared Oregon have its own
23 employees?

24 A. Yes.

25 45. Q. How many total employees does J-Squared

1 Technologies Inc. have?

2 A. In Canada?

3 46. Q. Wherever there's J-Squared Technologies
4 Inc.?

5 A. Wherever there's a J-Squared entity?

6 47. Q. No, J-Squared Technologies Inc. -- the
7 Canadian entity?

8 A. It's approximately 45 people right now.

9 48. Q. Approximately how many did it have back in
10 say the beginning of 2003?

11 A. Maybe 50 -- around that.

12 49. Q. How many employees roughly does J-Squared
13 Oregon have?

14 A. J-Squared Oregon would have six employees.

15 50. Q. And approximately how many did J-Squared
16 Oregon have back in the beginning of 2003?

17 A. Three.

18 51. Q. Can you -- I realize you don't have the
19 figures necessarily in front of you, but can you
20 approximate for me what J-Squared Technologies Inc.
21 revenues were in 2005?

22 A. When you say "revenue", do you mean the
23 commission dollars?

24 52. Q. Well, as I understand it -- correct me if
25 I'm wrong -- J-Squared Technologies Inc. makes money

1 through commission dollars and in some cases some margin
2 percentage? Correct?

3 A. Yes, yes.

4 53. Q. So combined between those two sources what
5 would you say the revenue was in 2005?

6 A. In 2005 -- I typically look at more than
7 commissions/margin dollars?

8 54. Q. That's what I thought I was referring to?

9 A. No, revenue in the Distribution Business
10 would be the top level number you'd invoice the
11 customer. Margin would be the part of that -- so I look
12 at more the commission margin.

13 55. Q. And that's what I meant to ask you about.
14 Yes, that's fine?

15 A. Okay. In terms of commission plus margin
16 dollars, J-Squared Canada would have done around \$5.5 -
17 \$6 million in 2005.

18 56. Q. How about in 2004?

19 A. Probably in the \$4.5 to \$5 million range.

20 57. Q. I'm only going to ask you one more year --
21 2003?

22 A. You're testing my memory. I would say in
23 2003 it was probably again around \$4.5 million.

24 58. Q. Does J-Squared Technologies Inc. regularly
25 produce Income Statements?

1 A. Yes. We call them groups, not divisions.

2 70. Q. When I was asking you questions a minute ago
3 about P and L Statements for Divisions, you're referring
4 to the groups? Correct?

5 A. Yes.

6 71. Q. The ESG Group was started when at J-Squared?

7 A. The ESG Group was started in the second half
8 of the fall of 2002.

9 72. Q. The fall of 2002. Who was its first product
10 line?

11 A. Well, the concept of the division before we
12 even looked at a product line, we made the decision to
13 go with the Embedded space and form that group so we
14 could diversify the company a bit more.

15 We'd come to feel that if you look at the
16 financials of the company they were heavily skewed
17 towards our Component Group at that point in time, so we
18 wanted to get some other Groups in the Company that we
19 could build up over three, four, five years so that we
20 could diversify away from just one group being the bulk
21 of the revenue.

22 73. Q. Then after a decision was made to diversify
23 by creating a ESG Group, you had to get some product
24 lines to actually create the group and when did you
25 start actively looking for product lines?

1 A. I would say we started in the June, July,
2 August time-frame of that year.

3 74. Q. When was the -- do you recall any of the
4 first ones you approached or that approached you?

5 A. Well the first thing I did is I assigned
6 Claude Langlois to head the group up.

7 75. Q. And roughly when was that?

8 A. I believe he was on a sabbatical in the
9 summer of 2002 at J-Squared so it would have been when
10 he came back from sabbatical, I would have talked to him
11 about it before his sabbatical so that when he came back
12 we started that group with him heading it up in probably
13 the August time-frame.

14 76. Q. Do you recall who the first group or groups
15 -- first manufacturer or manufacturers you talked to?

16 A. Motorola would have been one of them. I
17 think they were the only one. I mean Claude would be
18 the better person to answer that.

19 77. Q. Let me show you Exhibit 114 -- the Court
20 Reporter has a bunch of Exhibits she should be able to
21 hand you -- 114 please? I take it, on a quarterly or a
22 semi-quarterly basis J-Squared prepared some sort of
23 presentation to up-date the company employees as to
24 where the company's at? Is that correct?

25 A. Yes, two to three times a year.

1 what that references? At the top?

2 A. Where do you see that?

3 188. Q. If it's helpful, look at Page 1887 too?

4 A. All right.

5 189. Q. Page 1889 -- excuse me?

6 A. Which one, sorry -- 1887?

7 190. Q. No, 1889 and 1882 -- both have references to
8 GE?

9 A. Right.

10 191. Q. Maybe we'll just look at 1889 if that's
11 easier?

12 A. Okay.

13 192. Q. It says, "ESG Issues concern challenges" and
14 one of them says, "Close GE..." -- do I say "Fanuc" --
15 is that it?

16 A. Fanuc.

17 193. Q. Can you tell me what that references?

18 A. That references our lead line had gone away
19 and we needed to replace it with another line that could
20 be a lead line on a line card, so Motorola had gone away
21 so we needed to replace it with GE Fanuc.

22 194. Q. How long after Motorola had gone away --
23 well just when did -- did J-Squared approach GE or did
24 GE approach J-Squared?

25 A. I honestly don't remember.

1 195. Q. Do you recall roughly when the
2 communications began between the companies?

3 A. It was right around the same time of the
4 Motorola termination. It was in the January - February
5 time-frame of that year I believe.

6 196. Q. Were there some communications with GE prior
7 to receiving the February 26th letter from Motorola?

8 A. Yes, I believe so. We'd had to have had
9 some preliminary conversations.

10 197. Q. Is the GE Fanuc line in competition with the
11 MCG Line that J-Squared had been repping?

12 A. It depends on what you sign on with GE
13 Fanuc. GE Fanuc required multiple companies over time,
14 so for example -- some products would and other products
15 wouldn't.

16 So, for example GE Fanuc had acquired a company
17 called CDI that did displays so we could have
18 theoretically repped the CDI portion of GE Fanuc with
19 Motorola and that would not have been in conflict but
20 our conversations hadn't gotten to that point when the
21 Motorola termination occurred.

22 198. Q. Okay, so there was preliminary discussions
23 with GE Fanuc. Do you have any correspondence or any --
24 what else can you tell me about those initial
25 communications?

1 A. With Motorola?

2 230. Q. Correct?

3 A. No.

4 231. Q. That was principally Mr. Blomme?

5 A. Yes.

6 232. Q. But you're aware that that Contract
7 contained certain Performance Standards?

8 A. Yes.

9 233. Q. Is it your understanding now that J-Squared
10 Oregon met those Performance Standards?

11 A. Yes.

12 234. Q. Is it your understanding that Motorola told
13 J-Squared Oregon in a Termination Letter that Motorola
14 didn't believe that J-Squared Oregon had met the
15 Performance Standards?

16 A. Yes.

17 235. Q. What have you done as President of J-Squared
18 Oregon to understand whether or not J-Squared Oregon in
19 fact met the Performance Standards in the Contract?

20 A. I asked Steve to put a spreadsheet together
21 that somewhat matched up to your Exhibit 4 in the
22 Contract to see, you know, what we had done to date.

23 236. Q. You've seen that spreadsheet recently?

24 A. I've seen it. I haven't looked at it
25 recently.

1 was that there might be a better way from a sales
2 channel point of view for Motorola to go to Market,
3 better for them and better for J-Squared that would be a
4 mutual win-win than the present way it was structured.

5 404. Q. The next page?

6 A. Yes.

7 405. Q. Says, "MCG Sales Force Redeployment", and it
8 refers to a telecom collapse in the first bullet point?

9 A. Yes.

10 406. Q. What can you tell me about which telecom
11 collapse you're referring to?

12 A. Well, the telecom market collapsed in the
13 February, March, April time-frame of 2001. So for
14 example in Canada we have Nortel here and they basically
15 overnight went from about a \$30 billion company to an \$8
16 billion company -- the same type effect -- same type of
17 thing that affected Lusin and a bunch of other telecom
18 companies.

19 407. Q. And -- I'm sorry -- go ahead?

20 A. Well, Motorola at that time was selling a
21 fairly big percentage of their number from talking to
22 Larry Terry and when that collapse hit, Motorola MCG's
23 numbers went down substantially and that caused a ripple
24 effect where they had to go from a deployment I think of
25 50, 55 sales people in North America to 12 to, you know,

1 get their costs in line based on what -- to what their
2 present business was after that happened.

3 408. Q. What you just described -- the issues with
4 the telecom collapse and MCG sales force redeployment
5 and cut-backs -- those were issues that were discussed
6 with Motorola prior to J-Squared Canada entering into
7 the contract with Motorola? Correct?

8 A. Larry mentioned it. Larry mentioned it from
9 the perspective -- of framing it from the perspective of
10 this is why we need to go to a manufacturer's sales rep
11 because we don't have enough feet on the street to go do
12 the job.

13 So we need to find a way to put more feet on the
14 street and we can't afford to hire direct people so we
15 need to go and look at a manufacturer's rep and that
16 work to give us the opportunity to go do that. It was
17 kind of framed in that light.

18 409. Q. At that time, prior to the contract getting
19 entered into, J-Squared was well aware of the telecom
20 collapse generally? Correct? It affected some of your
21 other lines as well, didn't it?

22 A. Absolutely.

23 410. Q. Let's keep going. How about -- there's a
24 chart in here. Mr. Langlois said that he did not create
25 it. Did you create it or create it in conjunction with

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82

1 2004, 2005, 2006 -- is that okay?

2 A. The intent of this slide is to try to show
3 that the commissions or the money into J-Squared is
4 trying to chase the other curve which is the cost and
5 from our perspective on a ROI, we want obviously the
6 bottom, the lighter coloured line to cost over the cost
7 line.

8 So we're showing that we're actually net
9 positive on the line from start date to whatever point
10 in time that is in the future. The intent on this was
11 shown after four years under the present modus operandi
12 we might not get there.

13 417. Q. I understand that. I just meant that for
14 the discussion we're about to have about this, instead
15 of First Year, I've labelled that 2003?

16 A. Okay, sure.

17 418. Q. The Second Year -- 2004?

18 A. Can I write on this?

19 419. Q. Please? No? Yes, go ahead? Well, it's an
20 Exhibit but go ahead?

21 MR. BELLEW: You can take mine and you can write
22 on it.

23 MR. PAPETTI: I wrote on mine, to be fair.

24 BY MR. PAPETTI:

25 420. Q. All right, so let's agree that the First

1 Year, we'll call 2003, the Second Year - 2004, the Third
2 Year - 2005, and the Fourth Year - 2006?

3 A. Right.

4 421. Q. Then the numbers up the left side are in
5 thousands? Correct?

6 A. Yes.

7 422. Q. Both these figures are for J-Squared Canada,
8 not J-Squared Oregon? Correct?

9 A. Yes.

10 423. Q. What do you mean by J-Squared MCG Cost of
11 Sales?

12 A. Our cost of sales from a J-Squared
13 perspective to sell the Motorola product offering.

14 424. Q. What goes into the cost of sales? I cut you
15 off. Let me -- is that a term that's regularly used at
16 J-Squared -- cost of sales?

17 A. Yes.

18 425. Q. What does cost of sales include?

19 A. It would include the individual's pay, so it
20 would include their base salary.

21 426. Q. Their base salary?

22 A. It would include their bonuses. It would
23 include payroll taxes. It would include car expense,
24 entertainment expense, travel expense. There'd be some
25 percentage corporate cost allocated to the individual.

1 427. Q. So it includes allocations of all the costs?

2 A. All those costs.

3 428. Q. Is that the same as what you sometimes see
4 the term "fully loaded"? Is that a "fully loaded" cost
5 or is it just a "loaded cost"?

6 A. Fully loaded for that line, so Motorola
7 would be one line in the Embedded Group, so that would
8 be the fully loaded cost for selling Motorola.

9 429. Q. I realize these are cumulative, okay but I
10 want to ask you about particulars. This shows J-Squared
11 losing money in 2003? Correct?

12 A. Yes.

13 430. Q. If it's helpful, look at the chart -- the
14 data that Mr. Bellew provided me?

15 A. Yes.

16 431. Q. For 2003, what's the estimated cost? The J-
17 Squared, MCG Cost of Sales?

18 A. \$150,000.

19 432. Q. \$150,000 -- and what's the estimated
20 revenue?

21 A. \$60,000.

22 433. Q. So this chart is predicting a \$90,000 loss
23 for J-Squared in 2003? Correct?

24 A. That's just the cost of the Embedded Group.

25 434. Q. I'm sorry. It's actually the cost and

1 revenue of the Motorola ---

2 A. For the Embedded Group.

3 435. Q. Correct?

4 A. Right.

5 436. Q. So it's predicting on the Motorola line for
6 the Embedded Group a loss of \$90,000 for 2003?

7 A. When we put that beside the year, yes.

8 437. Q. How about for 2004?

9 A. What's your question? Sorry?

10 438. Q. Does it predict a profit or a loss for 2004?

11 A. At that run rate it's projecting a loss of
12 \$160,000.

13 439. Q. And costs of how much for 2004?

14 A. \$400,000.

15 440. Q. And costs -- excuse me, and revenues of how
16 much?

17 A. \$240,000.

18 441. Q. How about 2005?

19 A. The costs?

20 442. Q. Costs?

21 A. \$700,000.

22 443. Q. And the revenue?

23 A. The commissions are at \$510,000.

24 444. Q. The numbers you're giving me are on a
25 cumulative basis though aren't they?

1 A. Yes, sorry.

2 445. Q. We need to start over? Okay? Sorry? I
3 want to know for each individual year ---

4 A. Okay.

5 446. Q. All right?

6 A. Can I write on this then because I'm going
7 to have to calculate it.

8 MR. PAPETTI: Why don't we take a five minute
9 break.

10 MR. BELLEW: Let's do that. I can get some
11 copies made and we can write on everything we want.

12 THE WITNESS: Okay because you're asking me to
13 do a mental -- math so it's ---

14 MR. PAPETTI: Fair enough. Well let's just take
15 a break and copy it and you can write on whatever you
16 want. Maybe provide them two copies?

17 MR. BELLEW: I think what we'll do -- what's
18 that Exhibit -- we'll make this 116A. All right?

19 MR. PAPETTI: Sure. Exhibit 116A.

20 **EXHIBIT NO. 116A:** Actual data used to prepare
21 Exhibit 116 Chart.

22 MR. COURVILLE: This marks the end of Tape
23 Number 1 in the Deposition of Jeffrey Gibson. The time
24 is now 10:46:32 -- going off the Record.

25 (SHORT RECESS)

1 MR. COURVILLE: Back on the Record. Here marks
2 the beginning of Tape Number 2 in the Deposition of
3 Jeffrey Gibson. The time is now 10:57:52. Please
4 continue.

5 BY MR. PAPETTI:

6 447. Q. Mr. Gibson, before we broke we were looking
7 at Exhibit 116 which is the e-mail attaching the
8 presentation we've been discussing and then we marked as
9 an Exhibit, I believe 116A?

10 A. Right.

11 448. Q. Which is some data that Mr. Bellew provided
12 which is the data points for the chart on J21675 in
13 Exhibit 116? Is that correct?

14 A. Correct.

15 449. Q. I wanted to ask you some questions about the
16 data. In 2003 as I understand Exhibit 116A, there was -
17 - your chart estimates in J2MCG Cost of Sales of
18 \$150,000. Is that correct?

19 A. Yes.

20 450. Q. It estimates MCG commissions for the year of
21 \$60,000? Is that correct?

22 A. Correct.

23 451. Q. So a projected loss of \$90,000? Correct?

24 A. Correct.

25 452. Q. For 2004, if I'm correct it projects J2MCG

1 Cost of Sales of \$250,000? Is that correct?

2 A. Yes.

3 453. Q. And MCG Commissions of \$180,000?

4 A. Correct.

5 454. Q. And that predicts thus a \$70,000 loss for

6 2004?

7 A. Correct.

8 455. Q. For 2005, it projects a J2MCG Cost of Sales

9 of \$300,000?

10 A. Correct.

11 456. Q. And MCG Commissions of \$270,000?

12 A. Correct.

13 457. Q. So, it projects a loss for 2005 of \$30,000?

14 A. Correct.

15 458. Q. And for 2006, it projects \$300,000 in sales.

16 Excuse me, let me start over. For 2006, it projects

17 J2MCG Cost of Sales of \$300,000?

18 A. In which year?

19 459. Q. In 2006?

20 A. \$400,000 -- sorry, you're right -- \$300,000.

21 460. Q. Let me start over. In 2006, it predicts

22 J2MCG Cost of Sales of \$300,000?

23 A. Correct.

24 461. Q. And MCG Commissions of \$400,000?

25 A. Correct.

1 462. Q. Which projects a profit of \$100,000?

2 A. Correct.

3 463. Q. Those data points that we just read --
4 excuse me, those data points that are on Exhibit 116A,
5 do they appear to you to be the data points that are
6 Exhibit 116?

7 A. Yes.

8 464. Q. For a cumulative period, 2003 to 2006, this
9 projects a loss of \$90,000? Is that correct?

10 A. Yes.

11 465. Q. You had started to say and we moved on to a
12 different topic that the Presentation, Exhibit 116 is
13 one that you prepared with others at J-Squared to
14 present to Motorola? Is that correct?

15 A. I prepared this with Claude Langlois to
16 present to Kevin Parslow and Steve Machernis.

17 466. Q. In Boston?

18 A. In Boston in September.

19 467. Q. In September, 2003?

20 A. Yes.

21 468. Q. Did you present it to them?

22 A. Yes.

23 469. Q. Who was at that Presentation and can you
24 tell me where it was?

25 A. It was Kevin Parslow, Steve Machernis,

1 Claude and myself.

2 470. Q. The four of you?

3 A. Yes.

4 471. Q. At a hotel?

5 A. There was a trade show -- at the hotel at
6 that trade show.

7 472. Q. Did you do the Presentation or did Mr.
8 Langlois?

9 A. I think we both did actually. We both would
10 interject at different points so it was done in an
11 informal setting on paper at a table. It wasn't really
12 like a conference room setting.

13 473. Q. What was the point you were trying to get
14 across in the chart we've been looking at, J-Squared's
15 Present MCG RO and Forecast?

16 A. The point I was trying to get across was
17 that if we put the right cost of sales in place to do
18 the right job for Motorola moving forward -- what I
19 deemed at that time in terms of cost of sales for
20 Motorola, and the commissions coming in at 5 percent,
21 that it was -- there was a problem with a value
22 proposition and the conclusion I was trying to draw was
23 either Motorola should increase their commission rate or
24 they should allow J-Squared to do some of the business
25 in Canada from a Distribution point of view so we get 25

1 I put all dollars in U.S. So, all I did was try
2 to work backwards to say, okay, based on -- if these
3 assumptions are correct then this is the -- if want to
4 be a commissioned agent for Motorola based on what I
5 perceived we can sell of Motorola product in Canada,
6 then these are the type of commission rates we need to
7 get. We need to get in the eight and 10 percent
8 commission rate area if we're a commissioned rep.

9 If Motorola can't -- if that's not a viable
10 model for Motorola, then we need to find some
11 combination of where we're maybe we're up at 5 percent
12 and we do some distribution business at a higher
13 percentage so it blends to eight to 10 percent.

14 531. Q. The 33 points Gross Margin that you refer to
15 in this Exhibit, is that something you use other than
16 for putting this plan together, is it something you use
17 doing other analysis for J-Squared?

18 A. In the ideal world you'd like to make a 50
19 percent margin. So the range is probably -- I mean, I
20 just used that as the number in this case but the range
21 is probably 25 percent to 50 percent Gross Margin and
22 they'd like to see us profit if at all possible
23 depending on how healthy the business is.

24 532. Q. Out of that Group Gross Margin you have to
25 pay some employee incentive compensation as well?

1 Correct?

2 A. No, no. What I'm saying is, if we brought a
3 million dollars in commission in, all our costs would be
4 \$667,000 and the business would -- if this is a healthy
5 run rate, would be \$333,000. That's what I was implying
6 there.

7 533. Q. I guess I'm confused by that because you say
8 total Gross Margin Dollars ESG needs 33 Points Gross
9 Margin on the break-even costs per year or 50 percent
10 mark-up from the break-even costs to cover employee
11 incentive plans and profits for J-Squared?

12 A. Right but 50 percent mark-up on \$667,000
13 would give you the million -- 50 percent of \$667,000 is
14 3-3-3 and that would give you a million.

15 534. Q. Okay and 50 percent on -- okay, but out of
16 that 50 percent you need to pay employee incentive plans
17 as well? Correct?

18 A. That's not what I mean. That should have
19 been profits to J-Squared but either way, it could be 25
20 percent you'd go for. I mean, the intent is for J-
21 Squared profitability. The incentive plan should be
22 paid out of the costs obviously.

23 535. Q. So based on the assumption that Motorola
24 would be 50 percent of the Gross Margin dollars for the
25 ESG Group which is the assumption you used in here?

1 Correct?

2 A. It was -- the assumption was if it could be.
3 This is a what if scenario.

4 536. Q. But it was also your assumption that a lead
5 line should be about 50 percent?

6 A. Yes, yes.

7 537. Q. So, using that assumption, your assumption,
8 and using your assumption -- excuse me, your projections
9 as to the costs for the group? Correct?

10 A. Correct.

11 538. Q. And using your projections as to the
12 expected MCG Revenue, correct -- you need to obtain
13 between an 8.4 and a 10.4 percent commission rate on the
14 work done for Motorola to meet your expectations?

15 A. Assuming all those Forecast numbers -- keep
16 in mind I did this in September, 2003 and these numbers
17 are for 2004, 2005 and 2006 but I was just trying to get
18 a sense as to if those numbers materialize what
19 commission rate do you need, and it looked like you'd
20 need to be in the eight to 10 percent range.

21 That was the -- the whole point of this was just
22 to try to get a sense of what that commission percentage
23 should be if the -- that was roughly the Forecast.

24 539. Q. Correct, and the commission rate you compute
25 are between a little over 60 percent and a little over

1 100 percent higher than the commission rate in your
2 current agreement with Motorola? Correct?

3 A. Sorry?

4 540. Q. The commission rates you conclude you have
5 to obtain on the Motorola revenue in order to meet the
6 plan that you've designed here are between 60 percent
7 and over 100 percent what the actual commission rate was
8 in the Motorola contract?

9 A. It could be but again, my point was if this
10 was the -- I'm looking at this from a J-Squared
11 perspective. I'm saying if J-Squared ESG Group wants to
12 achieve these top level matrix and if you assume
13 Motorola is 50 percent, this is what you need. It was
14 just -- it was more of a top level assumption.

15 541. Q. I understand it's -- and actually exactly
16 what purpose you're using it for but I'm just asking you
17 to explain what you computed. This last column is the
18 commission rate you'd have to obtain from Motorola on
19 the expected Motorola revenue in order to meet the plan
20 that you've put together here? Correct?

21 A. Or it could be a blended commission margin
22 rate depending on how you go -- the point of this was
23 roughly what percentage do you need to get commission or
24 margin blended eight to 10 percent and then from that
25 financially what's the best sales channel model to use

1 to achieve that, it could be a win-win for both. That
2 was the purpose of this whole thing.

3 542. Q. So the blended commission rate -- whether
4 it's a blending of one factor or multiple factors ---

5 A. Yes, yes.

6 543. Q. The blended commission rate has to be
7 between 8.4 percent and 10.4 percent to make this plan
8 work? Correct?

9 A. Based on these assumptions, yes.

10 544. Q. And 8.4 percent and 10.4 percent range from
11 a little over 60 percent to a little over 100 percent
12 more than the actual commission agreement you had in
13 place in Motorola at the time?

14 A. All we're talking about is the commission
15 percentage.

16 545. Q. Yes?

17 A. I didn't understand your earlier question.
18 Yes.

19 546. Q. Let's go to the next document which is 118
20 and you might want to keep 117 in front of you?

21 A. Okay.

22 547. Q. So you have this plan at Tab -- to your
23 September 23 e-mail and then you attach the plan again
24 to an e-mail on September 29th in Exhibit 118? Is that
25 correct?

1 fully loaded cost.

2 559. Q. For the Group?

3 A. For the ESG Group.

4 560. Q. Okay, right and that's your projection?

5 A. Yes.

6 561. Q. The expected MCG Revenue is projections as
7 to sales on the MCG Account? Correct?

8 A. The sales of MCG in Canada, yes.

9 562. Q. And so, you've recomputed the commission
10 rate required in order to get the Revenue you need to
11 make this plan meet your expectations? Correct?

12 A. Commission or Gross Margin, yes.

13 563. Q. And that figure is now between a low of 10.4
14 percent and a high of 13.9 percent? Correct?

15 A. Yes, yes.

16 564. Q. Which is between 100 and about 170 percent
17 what your actual commission agreement with Motorola is
18 at the time? Correct?

19 MR. BELLEW: Objection.

O

20 THE WITNESS: That's not keeping in mind
21 distribution margins are 25, 30 points at the time.

22 BY MR. PAPETTI:

23 565. Q. But you didn't have any agreement in place
24 to get ---

25 A. No, but the intent was to go and try to do

1 that.

2 566. Q. You mean it was J-Squared's desire to try
3 and convince Motorola to enter into some sort of
4 distribution arrangement? Correct?

5 A. And we had many conversations with them
6 about it.

7 567. Q. With Motorola?

8 A. Yes.

9 568. Q. Right, but the only compensation agreement
10 you has as of the time of preparing Exhibit 118 was the
11 5 percent commission rate?

12 A. Correct.

13 569. Q. If you look at Exhibit 118, go to the front
14 of it please?

15 A. Okay.

16 570. Q. I want to ask you -- at the bottom you're
17 copied on e-mail from Mr. Langlois to Mr. Machernis and
18 Mr. Parslow at Motorola? Do you see at the bottom?

19 A. Yes.

20 571. Q. And he's sending along these revised MCG
21 Revenue Figures that we just looked at? Correct?

22 A. Correct.

23 572. Q. Did you believe these Revenue Figures to be
24 J-Squared's best estimate at the time of what they were
25 projecting to receive in 2003, 2004 and 2005?

1 699. Q. Do you have any recollection of being
2 provided any historic POS Data other than 130 or 1331?

3 A. Me personally, no.

4 700. Q. Do you recall asking for any -- of any of
5 the Motorola people you had discussions with, asking for
6 any POS rather -- sales related data?

7 A. I don't remember doing that.

8 701. Q. You've alluded to a couple of times and I
9 want to give you the opportunity to extrapolate on it a
10 little bit, you've alluded to comments made by I believe
11 Mr. Terry about the sales that the territory was likely
12 to achieve in 2003? Correct?

13 A. Yes.

14 702. Q. Can you tell me what Mr. Terry told you and
15 roughly when regarding that issue?

16 A. Well, it would have been I guess somewhere
17 in between July and October of 2002. I think the way
18 Larry framed it is that they -- the sales number was
19 something like six to \$8 million at the market peak in
20 2000 - 2001 and it had gone down over the course of a
21 few years to like a two to \$3 million base line of
22 business.

23 That should be the number in 2003 and that we
24 should be able to build the business back up. The
25 opportunity was there to build the business back up if

1 discussing with Motorola?

2 A. No, I don't remember talking to Larry about
3 it.

4 723. Q. So most of your discussions by that point in
5 the process were to Mr. Langlois, who in turn was
6 talking to Motorola?

7 A. Right. Claude was running with the
8 negotiation of the contract.

9 724. Q. And he was by that point the head of the ESG
10 Project? Correct?

11 A. Correct.

12 725. Q. Do you recall Mr. Langlois reporting
13 anything to you about his concern about the contract not
14 automatically renewing?

15 A. That came up because you know J-Squared's
16 probably signed I don't know, a 100 different contracts
17 over time and that was an abnormal clause.

18 726. Q. And so, Mr. Langlois flagged that issue for
19 you?

20 A. Yes.

21 727. Q. Do you recall talking to him about it?

22 A. Yes.

23 728. Q. What can you tell me about those
24 conversations?

25 A. He just wanted to understand why Motorola's

1 contract was different than everyone elses.

2 729. Q. Do you recall what he reported to you?

3 A. He didn't know any -- go ask the question,
4 find out.

5 730. Q. Do you recall what he reported after he went
6 and asked the question?

7 A. I think it came down to -- it came down to -
8 - I'm not sure who at Motorola -- someone had conveyed
9 to Claude that they had to have that in there because of
10 some corporate policy and when Claude, you know, asked
11 what corporate policy, some G9 Policy and that was the
12 rationale for having that clause you're talking about in
13 there.

14 731. Q. So was it fair to say, Claude wanted them to
15 adjust the contract so that it would automatically renew
16 absent somebody serving a Notice of Termination and
17 Motorola, in the end, refused to do that based on this
18 Corporate Policy Motorola reported?

19 A. I don't know if they refused. They used the
20 -- they used the rationale that because of Corporate
21 reasons they had to keep the clause that way but there
22 was an understanding that, you know, it would just
23 automatically happen anyways.

24 732. Q. Who was this understanding between about how
25 the contract would automatically renew?

1 A. I think it was with Claude and whoever he
2 was talking to at Motorola.

3 733. Q. Do you know who that was?

4 A. No.

5 734. Q. Did Claude report to you, I didn't like this
6 provision because it doesn't provide for automatic
7 renewal but I have an understanding with someone at
8 Motorola?

9 A. No, he would have -- I don't think he would
10 have conveyed it that way.

11 735. Q. What do you think he conveyed?

12 A. Just that this thing is going to have to be
13 automatically renewed or renewed on an annual basis but
14 it's just a formality.

15 736. Q. Who did he have that understanding about the
16 Agreement with?

17 A. Whoever he was dealing with at Motorola.

18 737. Q. You don't know though?

19 A. No. I wasn't in those, you know, meetings
20 so ---

21 738. Q. I understand. You're the CEO in a company.
22 You've got a lot of other business going on so I'm not
23 saying you should know. I'm simply asking what do you
24 personally recall at this point in time? Do you
25 actually recall having conversations with Mr. Langlois

1 Group selling the product so that's why there's a delta
2 there and I mean, the idea is we were going to somewhat
3 adjust our costs to Motorola to roughly what the
4 commissions coming in were, so that was the basis.

5 817. Q. For 2003 you estimate J-Squared Canada had
6 \$550,000 in costs? Correct?

7 A. Yes.

8 818. Q. And on Exhibit 116 you estimated that the
9 actual costs in 2003 for J-Squared selling Motorola was
10 \$150,000? Correct?

11 A. No, that was just -- that was the Embedded
12 Group in Canada. It wasn't the whole cost.

13 819. Q. What do you mean, it wasn't the whole cost?

14 A. Well, we have the Component Guys selling
15 Motorola.

16 820. Q. You told me before you're estimating the
17 total J-Squared, MCG Costs. You didn't say it was the
18 Embedded costs?

19 A. I did. I said it was the Embedded Group
20 cost.

21 821. Q. So, if the actual cost was plotted on
22 Exhibit 116 ---

23 A. It would be worse.

24 822. Q. It would be much, much worse? Correct?

25 A. For the start-up costs for the first year,

1 yes but I factored that out purposely because I didn't
2 want to skew the conversation we had in September.

3 823. Q. So your explanation now of the J-Squared,
4 MCG Cost of Sales does not include anyone who wasn't in
5 the ESG Group? Correct?

6 MR. BELLEW: Objection.

7 THE WITNESS: Say that one more time?

8 BY MR. PAPETTI:

9 824. Q. Who is included in the J-Squared, MCG Cost
10 of Sales here?

11 A. As I represented earlier it was the Embedded
12 -- that was an Embedded Presentation Embedded Cost.
13 Right? There was other Groups in J-Squared, namely the
14 Component Group. There were a lot of costs in 2003 for
15 Motorola.

16 825. Q. So this line was your best projections
17 except it didn't include anybody outside the Embedded
18 Groups after? Correct?

19 A. Correct.

20 826. Q. And how much do you ---

21 A. It didn't include management costs, i.e.
22 Mike and Jeff as an example. It didn't include some of
23 the added-in costs.

24 827. Q. You mean the costs that you put in your --
25 the documents you made for the expert? Correct? You

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1 Jeffrey Gibson. The time is now 13:04:06. Please
2 continue.

3 BY MR. PAPETTI:

4 950. Q. Mr. Gibson, we were looking at that schedule
5 you prepared that estimated the expenses fully loaded in
6 the Schedule that you provided to the Expert. Are you
7 there -- finding that?

8 A. Yes.

9 951. Q. You compute \$31,497.26 for expenses in
10 November, 2002? Correct?

11 A. \$31,497.26 -- correct.

12 952. Q. These are expenses -- what are you trying to
13 calculate there?

14 A. All the start-up costs, training -- we
15 pulled all the people together in J-Squared for training
16 on the Motorola products.

17 953. Q. That's before the Agreement becomes
18 effective in December? Correct?

19 A. Yes.

20 954. Q. Then you stop computing costs in March of
21 '04? Correct?

22 A. Correct.

23 955. Q. Why did you stop computing costs in March of
24 '04?

25 A. Because they terminated the relationship in

1 February of '04.

2 956. Q. So there were some trailing commissions that
3 came into J-Squared Canada?

4 A. Right.

5 957. Q. And some that came into J-Squared Oregon in
6 March of '04?

7 A. Correct.

8 958. Q. Correct?

9 A. Correct.

10 959. Q. But because the work wasn't being done given
11 the status of the contracts you didn't compute costs for
12 that period? Is that correct?

13 A. Well, we were terminated so we stopped
14 working on Motorola.

15 960. Q. At the end of February, 2004?

16 A. I think the letter -- whatever date the
17 letter came in, the day after.

18 961. Q. The Schedule you prepared shows that based
19 on your analysis J-Squared lost \$31,497.26 in November
20 of 2002 and then at the bottom it has debt figures. Did
21 it lose money every single month between November, 2002
22 and February, 2004?

23 A. Yes.

24 962. Q. The least amount of money it lost was a
25 little over \$22,000 and the most it lost was about